

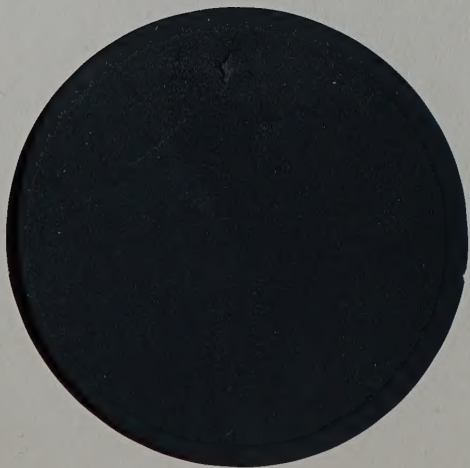
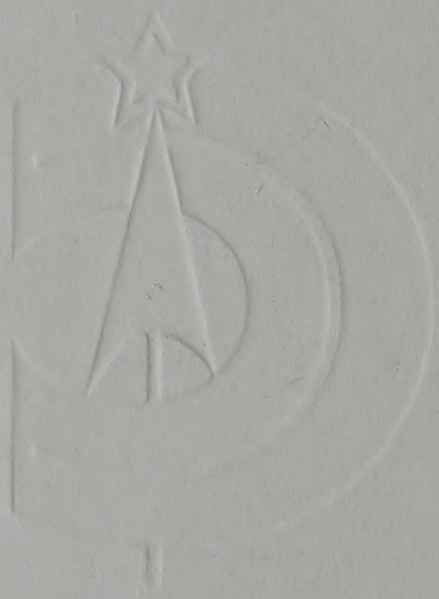
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CRUSH INTERNATIONAL LIMITED

43rd Annual Report

Fiscal Year Ended November 2, 1966





ANNUAL MEETING

The Annual Meeting of our Shareholders will be held at Royal York Hotel, Toronto, at Ten o'clock in the morning, on Tuesday, February 7th, 1967.

CRUSH INTERNATIONAL LIMITED



43rd Annual Report

Canada celebrates her Centennial during 1967 in which the 100th Anniversary of Confederation is recognized. This is a historic occasion for all Canadians who will be honoring this event with suitable pageantry in every community throughout this great country.

Millions of visitors from many countries will be guests of Canada this Centennial Year when they will witness the fine hospitality and friendship of the Canadian people. The Maple Leaf is the traditional symbol of Canada and it is with pride that we display it prominently in our Annual Report this year. Crush International Limited, a Canadian Company, extends warmest greetings to all fellow Canadians and to the many visitors to our land—the land of the Maple Leaf.

Si vous désirez recevoir un exemplaire en français du rapport annuel Crush de 1966, veuillez écrire au Secrétaire, Crush International Limited, 1590 O'Connor Drive, Toronto 16, Ont.





LOUIS COLLINS,
*President and Chief Executive Officer,
Crush International Limited*

Report to Shareholders of Crush International Limited

Your directors are pleased to present the Company's Consolidated Balance Sheet as at November 2, 1966 and the Consolidated Statement of Earnings for the year ended on that date, along with a five year financial comparison.

Earnings before income taxes reached an all time high of \$1,852,944. However, provision for income taxes at \$547,202 was more than double that of last year, leaving net earnings of \$1,305,742 or 96¢ per common share outstanding. Income taxes for the year ended in 1965 took into account a non-recurring recovery of tax.

Working capital at the year end amounted to \$4,043,977 compared with \$3,341,880 at November 3, 1965. Net fixed assets increased from \$5,340,437 to \$5,836,281 as a result of major capital expenditures on plant expansion, machinery and equipment in Canada.

Consolidated sales were the highest in the Company's history. Advertising and marketing programmes were strengthened and proved

most effective in contributing to our sales increases in the past year.

The improvement in earnings before income taxes is encouraging in view of the many cost increases absorbed by your Company during the year. There was a substantial rise in wages, and benefits were increased due to the Canada Pension Plan. The cost of financing was considerably higher, and prices for ingredients and containers again increased. These additional costs, however, were more than offset by the increase in sales. This sales growth is encouraging and indicates the greater acceptance of your Company's products. It is also reflected in the opening of new markets, not only in Canada and the United States but in other countries as well. The development of new markets requires considerable time, money and effort, and consequently the areas for such expansion are chosen carefully in order that the Company may obtain the greatest return from these expenditures. Several important marketing areas in the United States were opened

during the past year, and while the total number of bottlers is declining, the marketing areas serviced with your Company's products is steadily increasing.

We confidently expect that the programmes developed for the coming year will enable us to show greater growth in 1967.

In Canada and the United States the per capita sales of soft drinks are steadily rising. New packaging, and particularly the growth of non-returnable containers, both in glass and can, have helped expand overall market consumption.

In order to keep pace with the growing demand for convenience packaging your Company has available various containers, both in bottles and cans, which will vary in type and size depending upon the area of the country served. While these new containers add to the total volume, the backbone of the soft drink industry is still the returnable bottle which accounts for by far the major portion of all soft drinks sold. With few exceptions in countries outside of Canada and the United States, the returnable bottle is practically the only container used for soft drinks.

In Canada, constantly rising costs, both for ingredients and labour, together with an increase in sales tax pose difficult problems for a food manufacturer. Despite a natural reluctance to raise prices your Company has found it necessary to make a modest adjustment in its selling prices to offset the recent increase in sales tax. Furthermore, it is becoming increasingly evident the time must come when prices for soft drinks will have to be further increased to offset manufacturing, distribution and other costs which have risen sharply since the last

price adjustment over three years ago. This matter is being watched carefully by your Company to ensure protection of its volume and to maintain a profitable price structure in order to develop and expand the business.

The strength of the Company is in its people and their ability to act quickly to meet competitive challenges. To accomplish this, Mr. C. P. Haynes was appointed President of Crush Beverages Limited. The operations of your Company in Canada are carried on by this important wholly-owned subsidiary. Mr. L. Collins was elected President and Chief Executive Officer of Crush International Limited.

In December last the Directors declared a quarterly dividend of 10¢ per share payable on January 13, 1967. This represents an increase of 2½¢ per share from the quarterly dividends paid in 1966.

We are pleased to announce the election of Messrs. Ian R. Dowie and Grant Horsey to the Board of Directors replacing Messrs. H. J. Carmichael and E. E. Buckerfield who have retired after many years of valuable service.

The year under review has been a difficult one and required outstanding and unusual effort from our employees, to all of whom we wish to extend our sincere thanks and appreciation.

We would also like to thank our franchise bottlers, customers, shareholders and suppliers, and look forward to their continued support in 1967.

For the Board of Directors

J. M. THOMPSON
Chairman of the Board

LOUIS COLLINS
President

January 4, 1967.

Five Year Comparison (NOTE)

FINANCIAL RESULTS	<u>1966</u>	<u>1965</u>	<u>1964</u>	<u>1963</u>	<u>1962</u>
Earnings before taxes - - - - -	\$1,852,944	\$1,649,531	\$1,849,482	\$1,509,951	\$ 918,177
Net earnings - - - - -	1,305,742	1,377,634	1,142,704	949,993	645,223
Less preferred dividends - - - -	—	—	—	16,250	65,000
Net earnings after preferred dividends - - - - -	1,305,742	1,377,634	1,142,704	933,743	580,223
Earnings per common share - - -	.96	1.01	.84	.74	.56
Dividends common - - - - -	409,151	326,700	271,478	175,510	93,116
Dividends per common share - -	.30	.24	.20	.15	.10
Common shares outstanding - - -	1,363,876	1,362,676	1,359,576	1,275,576	1,032,216

FINANCIAL POSITION

Current assets - - - - -	8,092,528	6,555,999	4,445,065	3,521,717	4,332,434
Current liabilities - - - - -	4,048,551	3,214,119	2,395,758	2,497,304	2,408,581
Working capital - - - - -	4,043,977	3,341,880	2,049,307	1,024,413	1,923,853
Fixed assets—net - - - - -	5,836,281	5,340,437	3,839,592	3,127,474	3,084,107
Other assets - - - - -	4,382,623	4,357,692	3,882,820	3,108,394	3,093,010
Long-term indebtedness and customers' deposits - - - - -	5,120,498	4,801,417	2,602,661	1,435,309	3,287,880
Shareholders' equity—common - -	9,142,383	8,238,592	7,169,058	5,824,972	3,813,090
Book value per common share - -	6.70	6.05	5.27	4.57	3.69

NOTE: The figures for the years 1962 and 1963 have been adjusted to reflect the subdivision of common shares effected in 1964.

Consolidated Statement of Earnings

FOR THE YEAR ENDED NOVEMBER 2, 1966 (with comparative figures for the year ended November 3, 1965)

	1966	1965
NET EARNINGS BEFORE DEDUCTING THE FOLLOWING - - - - -	\$2,941,159	\$2,529,224
Interest on bank loans and advances - - - - -	224,769	150,786
Depreciation - - - - -	536,359	454,056
Amortization of containers - - - - -	348,422	292,361
Directors' fees - - - - -	5,850	5,400
Profit on sale of fixed assets - - - - -	(27,185)	(22,910)
	1,088,215	879,693
	1,852,944	1,649,531
PROVISION FOR INCOME TAXES (Note 4) - - - - -	547,202	271,897
NET EARNINGS FOR THE YEAR - - - - -	<u>\$1,305,742</u>	<u>\$1,377,634</u>

Consolidated Statement of Retained Earnings

FOR THE YEAR ENDED NOVEMBER 2, 1966 (with comparative figures for the year ended November 3, 1965)

	1966	1965
BALANCE—BEGINNING OF YEAR - - - - -	\$4,490,413	\$3,439,479
Net earnings for the year - - - - -	1,305,742	1,377,634
	5,796,155	4,817,113
Dividends - - - - -	409,151	326,700
BALANCE—END OF YEAR - - - - -	<u>\$5,387,004</u>	<u>\$4,490,413</u>

CRUSH INTERNATIONAL LIMITED

(Incorporated under the laws of Ontario)

and subsidiaries

ASSETS

CURRENT ASSETS

	1966	1965
Cash - - - - -	\$ 3,352,211	\$ 1,969,048
Accounts receivable - - - - -	1,886,890	1,788,885
Income taxes recoverable - - - - -	283,106	267,664
Inventories—at the lower of cost or net realizable value - - - -	2,365,955	2,264,823
Prepaid expenses - - - - -	204,366	265,579
	<u>8,092,528</u>	<u>6,555,999</u>

FIXED ASSETS

Land, buildings, machinery and equipment—at cost - - - - -	9,408,906	8,653,586
Accumulated depreciation - - - - -	3,572,625	3,313,149
	<u>5,836,281</u>	<u>5,340,437</u>

SUNDRY ASSETS

Returnable containers on hand and with customers—at cost, less amounts written off - - - - -	1,986,957	1,964,802
Deferred accounts receivable - - - - -	52,166	63,659
Investment in shares of foreign subsidiaries not consolidated—at cost (note 1) - - - - -	27,105	27,668
Other investments—at cost - - - - -	12,324	—
	<u>2,078,552</u>	<u>2,056,129</u>

TRADE-MARKS, FORMULAE AND GOODWILL—at cost, less amounts written off - - - - -	2,304,071	2,301,563
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Signed on behalf of the board

J. M. THOMPSON }
L. COLLINS } *Directors*

\$18,311,432 \$16,254,128

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Crush International Limited and subsidiaries as at November 2, 1966 and the consolidated statements of earnings, retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Consolidated Balance Sheet

AS AT NOVEMBER 2, 1966

(with comparative figures as at November 3, 1965)

LIABILITIES

CURRENT LIABILITIES

	1966	1965
Bank advances - - - - -	\$ 1,052,190	\$ 676,532
Accounts payable and accrued liabilities - - - - -	2,482,121	1,997,030
Income and sundry taxes payable - - - - -	514,240	540,557
	<u>4,048,551</u>	<u>3,214,119</u>
REFUNDABLE DEPOSITS ON CONTAINERS - - - - -	608,998	616,417
BANK LOANS—scheduled for repayment after one year, partly secured -	<u>4,511,500</u>	<u>4,185,000</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized—

90,000 preference shares of a par value of \$100 each, issuable in series

3,000,000 common shares without par value

Issued and fully paid (Note 2)—

1,363,876 common shares - - - - -	3,755,379	3,748,179
RETAINED EARNINGS - - - - -	5,387,004	4,490,413
	<u>9,142,383</u>	<u>8,238,592</u>
	<u>\$18,311,432</u>	<u>\$16,254,128</u>

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings, retained earnings and source and use of funds, when read in conjunction with the notes thereto, present fairly the consolidated financial position of the companies as at November 2, 1966 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, December 29, 1966

McDONALD, CURRIE & Co.
Chartered Accountants

Consolidated Statement of Source and Use of Funds

FOR THE YEAR ENDED NOVEMBER 2, 1966 (with comparative figures for the year ended November 3, 1965)

	1966	1965
SOURCE OF FUNDS		
Net earnings for the year - - - - -	\$1,305,742	\$1,377,634
Add:		
Charges not requiring cash outlay—		
Depreciation - - - - -	536,359	454,056
Amortization of containers - - - - -	348,422	292,361
	2,190,523	2,124,051
Deduct:		
Profit on sale of fixed assets - - - - -	27,185	22,910
Total from operations - - - - -	2,163,338	2,101,141
Bank loans - - - - -	326,500	2,136,125
Deposits on containers - - - - -	—	62,631
Issue of capital stock - - - - -	7,200	18,600
Deferred accounts receivable - - - - -	11,493	27,553
	2,508,531	4,346,050
USE OF FUNDS		
Additions to fixed assets, less proceeds of disposals - - - - -	1,005,018	1,931,674
Containers - - - - -	370,577	780,097
Dividends - - - - -	409,151	326,700
Investments - - - - -	11,761	15,006
Trade-marks and goodwill - - - - -	2,508	—
Deposits on containers - - - - -	7,419	—
	1,806,434	3,053,477
INCREASE IN WORKING CAPITAL - - - - -	702,097	1,292,573
WORKING CAPITAL—BEGINNING OF YEAR - - - - -	3,341,880	2,049,307
WORKING CAPITAL—END OF YEAR - - - - -	\$4,043,977	\$3,341,880

Explanatory Notes to Consolidated Financial Statements

FOR THE YEAR ENDED NOVEMBER 2, 1966

1. FOREIGN SUBSIDIARIES

The following information on the wholly-owned foreign subsidiaries whose assets and liabilities and income and expenses are not included in these statements is submitted in accordance with the requirements of section 89 of The Corporations Act:

- (a) The accounts of the subsidiaries are not consolidated herein because exchange restrictions apply.
- (b) The subsidiaries' profits for the year were \$171,493. No income from the subsidiaries has been included in the company's accounts for the year.
- (c) The subsidiaries' undistributed profits earned since acquisition and not taken into the accounts of the company were \$310,657 at November 2, 1966.

2. CAPITAL STOCK

Changes during the year in issued and fully paid common shares without par value were as follows:

	Number of shares	\$
Balance—November 3, 1965 - - - - -	1,362,676	3,748,179
Issue of 1,200 shares for \$7,200 cash pursuant to options held by executive officers of the company - - - - -	1,200	7,200
Balance—November 2, 1966 - - - - -	<u>1,363,876</u>	<u>3,755,379</u>

Executive officers of the company hold options exercisable at various dates on or before June 6, 1976 to purchase 39,200 common shares at prices ranging from \$6.00 to \$15.00 per share.

3. FOREIGN EXCHANGE

Foreign currencies other than United States dollars have been converted at the exchange rate prevailing at the balance sheet date.

United States dollars have been converted to Canadian dollars as follows:

- (a) Current assets and current liabilities at the exchange rate prevailing at the balance sheet date.
- (b) Other assets and liabilities substantially at the rate prevailing when they were acquired or incurred.
- (c) Earnings at the official rate of exchange.

The resulting net exchange adjustment is included on the balance sheet in accounts payable and accrued liabilities.

4. INCOME TAXES

Provision for income taxes for the year has been reduced approximately \$220,000 by the application of preacquisition losses of a subsidiary acquired in 1965. In 1965 the provision was reduced by \$427,000 by the application of preacquisition losses of the newly acquired subsidiary and by claiming capital cost allowance in excess of recorded depreciation.

CRUSH INTERNATIONAL LIMITED

Operating in over 50 Countries

OFFICES

CANADA (*Head Office*):

1590 O'Connor Drive, Toronto 16, Ontario

UNITED STATES:

2201 Main Street, Evanston, Illinois

SOUTH AMERICA:

Avenida Franklin Roosevelt, 84 Rio de Janeiro, Brazil

SUBSIDIARY COMPANIES

Beverages International Inc.

Crush Beverages Limited

Crush International (U.K.) Limited

Crush International Inc.

Crush Industria De Concentrados Ltda.

Gini International Limited

Inter-American Orange-Crush Company

International Beverage Services Inc.

Pure Spring (Canada) Limited

HOLDING COMPANIES

The Hires Company

Orange Crush Company

PRODUCTS

Orange CRUSH

Lemon-Line CRUSH

Grape CRUSH

Grapefruit CRUSH

Cream Soda CRUSH

Strawberry CRUSH

Sugar-Free Orange CRUSH

HIRES Root Beer

HIRES Sugar-Free Root Beer

KIK Cola

Sugar-Free KIK Cola

AMERICA DRY Ginger Ale

AMERICA DRY Club Soda

AMERICA DRY Tom Collins

AMERICA DRY Grapefruit-Lemon

AMERICA DRY Sugar-Free Ginger Ale

GURD'S Dry Ginger Ale

VÉE DE VÉE

OLD COLONY Beverages

AMERICA DRY Canned Beverages

CRUSH Canned Beverages

HIRES Canned Beverages

CRUSH Fountain Syrups

HIRES Fountain Syrups

PURE SPRING Dry Ginger Ale

PURE SPRING Flavours & Mixers

GINI Bitter Lemon

UPTOWN

HONEE-ORANGE

HONEE-GOLD Orange

1-CAL Sugar Free Soft Drinks

BRIO CHINOTTO

INDIA EXPRESS Tonic Water

EXPORT Canned Soft Drinks

MASTER FRANCHISE FOR CANADA

ROYAL CROWN Cola

DIET-RITE Cola

ROYAL CROWN Canned Soft Drinks

DIET-RITE Canned Soft Drinks

CONCENTRATE AND PROCESSING PLANTS

Canada: Toronto, Ontario (2); Ottawa, Ontario;

Montreal, Quebec (2); Winnipeg, Manitoba;

Burlington, Ontario (Warehouse)

United States: Evanston, Illinois; Trenton, New Jersey

South America: Montevideo, Uruguay; Rio de Janeiro, Brazil

BANKERS

Canadian Imperial Bank of Commerce, Toronto, Ontario

American National Bank and Trust Company, Chicago, Illinois

Madison Bank and Trust Company, Chicago, Illinois

TRANSFER AGENT

Crown Trust Company, Montreal, Toronto, Winnipeg
and Vancouver

LEGAL COUNSEL

Fraser, Beatty, Tucker, McIntosh & Stewart, Toronto, Ontario

Kirkland, Ellis, Hodson, Chaffetz & Masters, Chicago, Illinois

Baker, McKenzie & Hightower, Chicago, Illinois

Freshfields, London, E.C.2, England

SHAREHOLDERS' AUDITORS

McDonald, Currie & Co., Toronto, Ont.

Lybrand, Ross Bros. & Montgomery, Chicago, Illinois

Cooper Brothers & Company, London, England

ADDRESS ALL COMMUNICATIONS TO

The Secretary, Crush International Limited,
1590 O'Connor Drive, Toronto 16, Ontario

CRUSH INTERNATIONAL LIMITED

Board of Directors

RALPH B. BRENNAN	ROTHESAY, N.B.
President, G. E. Barbour Company Limited, Saint John, N.B.	
LOUIS COLLINS	EVANSTON, ILLINOIS
President, Crush International Limited, Toronto, Ont.	
NELSON M. DAVIS	TORONTO, ONT.
Chairman and President, N. M. Davis Corporation Limited, Toronto, Ont.	
IAN R. DOWIE	TORONTO, ONT.
Retired	
HON. LOUIS P. GÉLINAS, M.B.E.	MONTREAL, P.Q.
President, Geoffrion, Robert & Gélinas, Co., Montreal, P.Q.	
CEDRIC P. HAYNES, C.D.	DON MILLS, ONT.
President, Crush Beverages Limited, Toronto, Ont.	
GRANT HORSEY	TORONTO, ONT.
Chairman of the Board, Salada Foods Ltd, Don Mills, Ont.	
**J. WILLIAM HORSEY, LL.D.	TORONTO, ONT.
Director, Crown Trust Company, Toronto, Ont.	
*L. STUART MACKERSY, M.C.	TORONTO, ONT.
Vice-President, North American Life Assurance Co., Toronto, Ont.	
*EDWIN C. McDONALD	NEW YORK, N.Y.
Chairman, Thomson Newspapers Inc., New York, N.Y.	
*D. A. McINTOSH, Q.C.	TORONTO, ONT.
Partner, Fraser, Beatty, Tucker, McIntosh & Stewart, Toronto, Ont.	
ROBERT A. McNAIR	TORONTO, ONT.
President, McNair Products Co. Limited, Toronto, Ont.	
G. E. PHIPPS	TORONTO, ONT.
Chairman of the Board, Dominion Securities Corporation Limited, Toronto, Ont.	
*J. M. THOMPSON	WILLOWDALE, ONT.
Chairman of the Board, Crush International Limited, Toronto, Ont.	
(**Chairman of the Executive Committee)	
(* Member of the Executive Committee)	

Officers

CRUSH INTERNATIONAL LIMITED

J. M. THOMPSON	Chairman of the Board
LOUIS COLLINS	President and Chief Executive Officer
BRIAN GALLAGHER	Vice-President Finance and Treasurer
R. P. J. DEES	Secretary

CRUSH BEVERAGES LIMITED

LOUIS COLLINS	Chairman of the Board
CEDRIC P. HAYNES	President
BRIAN GALLAGHER	Treasurer
JAMES C. McCracken	Vice-President Marketing
R. P. J. DEES	Secretary

GINI INTERNATIONAL LIMITED

LOUIS COLLINS	President
W. L. JOHNSON	Vice-President and Treasurer
W. L. LAUTEN	Secretary

BEVERAGES INTERNATIONAL INC.

and

CRUSH INTERNATIONAL INC.

J. M. THOMPSON	Chairman of the Board
LOUIS COLLINS	President
F. S. O'DONNELL	Vice-President Marketing
W. L. JOHNSON	Vice-President and Treasurer
R. A. POINDEXTER	Vice-President Franchise
D. W. STEVENSON	Vice-President Fountain Sales
J. R. McGOWAN	Vice-President
W. L. LAUTEN	Secretary

PURE SPRING (CANADA) LIMITED

J. M. THOMPSON	Chairman of the Board
NORMAN MIRSKY	President
MERVIN MIRSKY	Vice-President
BRIAN GALLAGHER	Vice-President and Treasurer
R. P. J. DEES	Secretary



OUR PLEDGE

Crush International Limited takes pride in the excellence of its products. To create and produce beverages of unsurpassed freshness, purity and quality is our highest aspiration . . . our constant aim. Thus it is with confidence that we publish this symbol as an honest and unconditional guarantee. We pledge our untiring diligence in maintaining our exacting standards of production . . . in supplying beverages of delicious fresh flavour and wholesome healthful goodness.



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